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**From:** Michaelis Daniel CHBS  
**Sent:** Wednesday, June 20, 2001 9:50 AM  
**To:** zz1-Quarles Beth USUW  
**Subject:** corporate\_governance\_pres\_ver3.ppt

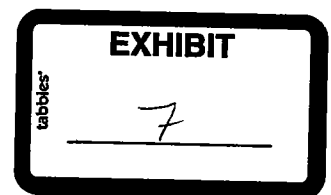
Regards

Daniel

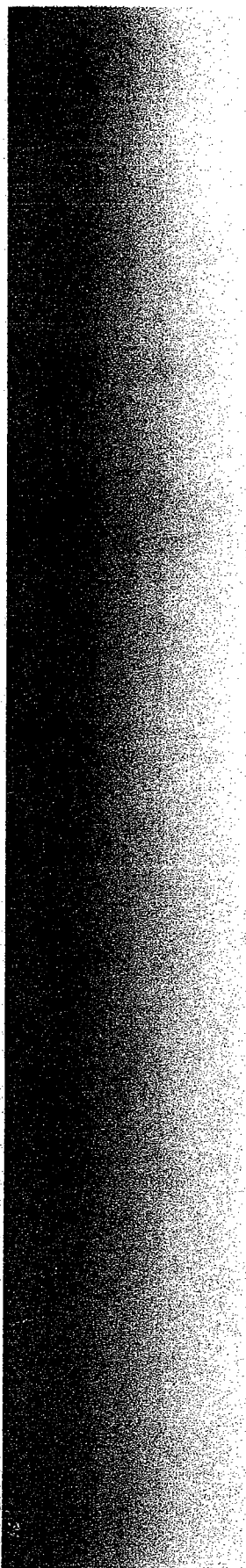
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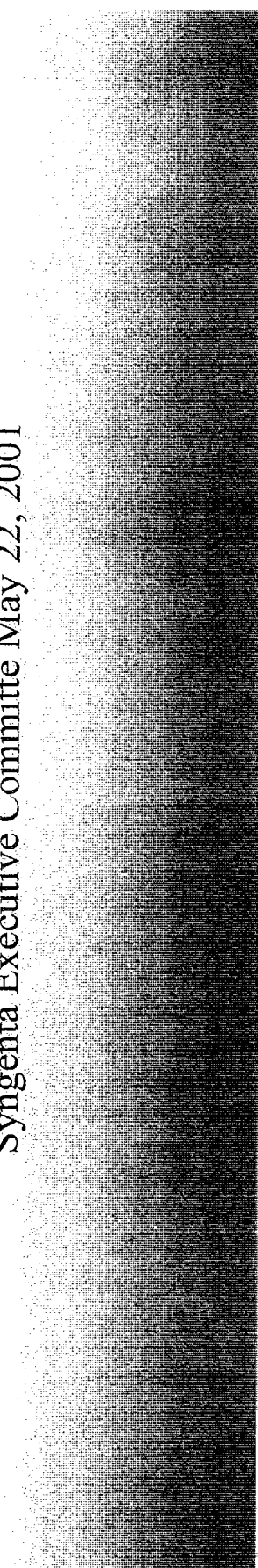
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## Governance of Group Companies

Syngenta Executive Committee May 22, 2001



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# Overview

1. Management Structure vs. Legal Structure : Issues
2. Principles for Legal Compliance
3. Novartis and AstraZeneca Legacy
4. Proposal

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## Legal Structure vs. Management Structure

### Legal Structure :

- Separate legal entities in various jurisdictions
- Related to each other through shareholdings

Companies exist and can do business to the extent that relevant legal form and substance is observed.

### Management Structure :

- Functional and territorial matrix
- Hierarchical throughout the group

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## Legal Structure vs. Management Structure : Issues

Management of Group Companies only along management structure may

- Violate legal requirements and therefore
- Expose Syngenta to risks with respect to
  - Tax
  - Jurisdiction
  - Claims against subsidiaries („piercing the corporate veil“)
- Expose individuals to responsibility/liability

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## Principles for Legal Compliance

- Each Group Company's organisation must fully comply with all requirements of local law
- Each Group Company must establish written statement of responsibilities and competencies for its directors and officers / management
- Administration of Group Companies and decision making-process strictly in accordance with constitutional documents and laws of country of incorporation
- Appointment of directors, officers and representatives / signatories of each Group Company strictly in accordance with constitutional documents and the laws of country of incorporation
- Board meetings to be held locally

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## Novartis Legacy : Board Membership and Terms of Reference (TORs)

- Representative from HQ / Region is elected to the BoD of each Group Company
- Detailed TORs provide for division of authorities between the Company's BoD and Management and ensure that matters deemed important for the group are kept within authority of the BoD
- Representative from HQ / Region ensures that such matters are brought to the attention of competent HQ / Region body or person within management structure for review / decision
- HQ / Region decision communicated through BoD member
- Matter to be formally resolved by BoD in accordance with local law

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## AstraZeneca Legacy : Delegated Authorities and Reserved Powers

- There are not necessarily representatives from HQ / Region on the BoDs of Group Companies and matters deemed important for the group are not necessarily dealt with at BoD level : The BoD has no management function but merely resolves those matters required by local law
- System of Delegated Authorities and Reserved Powers along management lines:
  - Not necessarily threshold-based
  - Responsibility for observance of delegated authorities / reserved powers within the group lies with local management
- Annual confirmation of compliance from management by means of Letter of Assurance

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## Proposal

Assure legal compliance and a defensible position with respect to  
taxes and jurisdiction:

1. Management along management lines
2. Annual confirmation of compliance with management principles  
(authorities and group policies) by means of Letter of Assurance
3. Avoid track record of Group Companies being run out of HQ or Region
  - Guideline for communication amongst Group Companies
4. Board of Directors of Group Company
  - Assures compliance with requirements of local law
  - Ensures proper documentation of Company decisions
  - Is responsible for certain defined matters
5. Group Administration keeps copies of all relevant documents
6. Special Situations to be addressed case by case (e.g. TMRl)

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## Remit for Board of Directors

1. The BoD acts strictly in accordance with the responsibilities, rights and duties allocated to it by applicable law
2. The BoD enacts written regulations governing the organization of the Group Company. In particular, these regulations define the responsibilities, duties and powers of the BoD and local management.
3. The BoD implements group policies and guidelines at Group Company level in accordance with applicable law
4. The BoD is in any case responsible for the following items:
  - Appointment of representatives / signatories of the Group Company
  - Review of financial statements and appropriation of profits
  - Approval of yearly budgets and business plans
  - Initiation and settlement of major legal proceedings
  - Contracts concerning licensing-out of patents, know-how or trademarks
  - Agreements concerning pooling of interests

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## Remit for Board of Directors

4. The BoD is in any case responsible for the following items (cont'd):

- Real Property : purchase / sale / mortgage / lien
- Investments / divestments relating to buildings and other fixed assets if transaction value exceeds threshold defined for each Company
- Tenancy / lease of real estate, plant and equipment if contract value up to expiry (in case of fixed term contract) or for the first five years (in case of unlimited duration of contract) exceeds threshold defined for each Company
- Share capital transactions
- Investment in / divestment of participations
- Establishment / funding / amendment of rules of employee benefit & welfare plans / funds and private medical plans
- Special pension arrangements outside of existing plans / policies
- Restructurings, in particular personnel restructuring plans
- Donations policy

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